

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Union Electric Company (AmerenUE)	:	
	:	
Request pursuant to Section 6-102 of the	:	
Illinois Public Utilities Act for an order	:	
authorizing Union Electric Company	:	02-0612
(AmerenUE) to incur an indebtedness by	:	
undertaking the obligation to pay the	:	
principal, interest and redemption	:	
premium, if any, on up to \$185,000,000	:	
principal amount of Senior Secured Notes	:	
for the purpose of refunding, redeeming	:	
and/or refinancing outstanding evidences	:	
of indebtedness.	:	

ORDER

By the Commission:

I. INTRODUCTION

On September 23, 2002, Union Electric Company d/b/a AmerenUE ("UE") filed a verified Informational Statement with the Illinois Commerce Commission ("Commission") pursuant to Section 6-102(d) of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq. The Informational Statement relates to a proposed issuance of up to \$185,000,000 aggregate principal amount of Senior Notes ("Notes") by UE for the purpose of refunding, redeeming, and/or refinancing outstanding evidences of indebtedness. The issuance is expected to close on or after October 8, 2002, subject to market conditions. On September 24, 2002, Commission Staff ("Staff") filed an Answer to the Informational Statement. In its Answer, Staff recommended that the Commission enter an Order pursuant to Section 6-102(d) of the Act authorizing the issuance. No hearings were held in this matter. There are no contested issues.

II. UE'S INFORMATIONAL STATEMENT

UE intends to issue one series of Notes. The terms of the Notes, including but not limited to the maturity, price, rate or method of calculation of interest and dates for payment thereof, and any redemption, prepayment or sinking fund provisions, will be determined at the time of sale. UE is currently contemplating issuing Notes having a final maturity of up to 35 years, depending on market conditions at the time of offering. UE expects that the interest rate(s) will not exceed 8.0%; however, the actual interest rate(s) will be determined at the time of the offering or periodically during the term of the Notes. If UE issued Notes with a 35 year maturity, for example, UE would at this time

expect an interest rate of about 6.0%. Each Note will be denominated in United States dollars.

The Notes will be an issue of a new series of debt securities issued under, and secured by, an indenture ("Senior Note Indenture") between The Bank of New York, as trustee, and UE, dated August 15, 2002, the form of which was attached to the Informational Statement submitted by UE in Docket No. 02-0484 and the subject of the Commission's Order dated August 6, 2002. Until the release date, all of the Notes outstanding under the Senior Note Indenture will be secured by one or more series of UE's senior note mortgage bonds issued under its first mortgage indenture, the terms of which will mirror the Notes. The senior note mortgage bonds are secured by a lien on substantially all of the property owned by UE. The release date will be the date that all of UE's first mortgage bonds issued and outstanding under its first mortgage indenture, other than senior note mortgage bonds, have been redeemed or retired. On the release date, the Notes will cease to be secured by the senior note mortgage bonds, will become UE's unsecured general obligations, and will rank equally with all of UE's unsecured and unsubordinated debt.

UE expects to sell the Notes in an underwritten public offering pursuant to a prospectus supplement and underlying base prospectus to be filed with the Securities and Exchange Commission ("SEC"). UE's underlying shelf registration statement on Form S-3 for the registration of the Notes was initially filed with the SEC on May 3, 2002, and became effective on August 13, 2002. An underwriting agreement is to be executed between UE and J.P. Morgan Securities Inc. and BNY Capital Markets, Inc., which will serve as the lead underwriters for this financing. UE is also contemplating including additional underwriters for this financing, for which J.P. Morgan Securities, Inc. and/or BNY Capital Markets, Inc. may act as representatives.

UE will use up to \$109,000,000 of the proceeds from the sale of the Notes to refund through redemption certain outstanding indebtedness, pay the related redemption premium, and pay up to \$1,245,600 of related expenses including, but not limited to, fees paid to underwriters. UE intends to use the remaining \$76,000,000 of the proceeds from the sale of the Notes to retire and refinance its \$75,000,000 8.33% first mortgage bonds which mature on December 16, 2002, previously approved by the Commission in Docket No. 91-0540, and pay related expenses. The use of these proceeds are expected to be allocated as follows: (i) \$75,000,000 to retire the principal amount of the outstanding indebtedness (at maturity), and (ii) up to \$1,000,000 for related expenses including, but not limited to, fees paid to underwriters. UE expects to realize substantial savings by taking advantage of the current favorable interest rate environment.

UE also relates that Section 6-102(b) of the Act provides in pertinent part that it does not apply to any issuance of stocks or of bonds, notes or other evidences of indebtedness 90% or more of the proceeds of which are to be used by the public utility for purposes of refunding, redeeming, or refinancing outstanding issues of stock, bonds, notes, or other evidences of indebtedness and preferred stock. Because more than

90% of the proceeds from the issuance of the Notes will be used by UE for purposes of refunding outstanding evidences of indebtedness, UE concludes that the proposed issuance and sale of the Notes are not subject to subsection (b) of Section 6-102.

With regard to fees, since \$179,000,000 of the \$185,000,000 proceeds will be used to refund the principal amount of long-term debt, as to which the required fees have already been paid to the Commission, UE states that there is no fee required on such proceeds. As for the remaining proceeds, \$6,000,000, UE agrees to pay the required fee under section 6-108 of the Act. UE indicates that it will pay the required fee reflecting the percentage of its utility property located in Illinois no later than 30 days after service of the Commission order authorizing the Notes. For purposes of the fee calculation, as of June 30, 2002, UE states that its property situated in Illinois constitutes 3.92% of its total property wherever situated.

Portions of page 4 of the Informational Statement pertaining to the use of the proceeds from the sale of the Notes have been redacted. UE requests that the redacted portions be afforded proprietary treatment pursuant to the Commission's rules since they concern confidential or private financial information that could impact the market price of UE's securities if publicly disclosed.

III. STAFF'S ANSWER

Staff reviewed UE's Informational Statement and Article VI of the Act and recommends that UE's requested relief be granted. Staff concludes that UE's proposal is subject to Section 6-101, which requires the Commission to provide identification numbers for use on the proposed Notes when issued. Staff further asserts that the proposal is subject to Section 6-102(a), which requires an order authorizing UE's issuance of the Notes. Staff indicates that the order must also state the amount of the proceeds and purposes to which they are to be applied, and that such applications are reasonably required. The financing is subject to Section 6-102(d) as well, which requires the Informational Statement filed by UE and an order in conformance with Section 6-102(a). Staff indicates that UE's proposal is not subject to Section 6-102(b) since, as UE explains, 90% or more of the proceeds will be used to refund outstanding evidences of indebtedness. Staff also asserts that the proposed financing is not subject to Section 6-102(c), (e), or (f) or Sections 6-103 through 6-107. Staff further notes that 83 Ill. Adm. Code 240 applies, which requires UE to file reports relative to the issuance and sale of the Notes and application of the proceeds, unless the Commission order provides otherwise.

Staff reports that UE's proposal is subject to Section 6-108. Staff states that no fee, however, is required in connection with \$179,000,000 of the proposed issuance since the proceeds will be used for the purpose of refunding or refinancing outstanding debt for which a fee was previously paid. Staff indicates that UE has at least \$179,000,000 in outstanding indebtedness that is eligible for direct refinancing. With respect to the remaining \$6,000,000 of the proceeds, Staff states that UE should be required to pay an amount equal to 20 cents for every \$100 of the \$6,000,000 principal

amount of Notes authorized by the Commission to be applied to the purpose of paying costs incurred to effectuate the transaction, prorated by the percentage of UE's property situated in Illinois. Staff agrees that as of June 30, 2002, 3.92% of UE's total property was situated in Illinois. Staff concludes that the resulting required fee of \$470.40 should be paid no later than 30 days after service of the Commission order authorizing the issuance of the Notes.

Staff indicates that it will comply with UE's request to treat certain information contained in UE's Informational Statement as proprietary pursuant to Commission rules.

IV. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) UE is a corporation engaged in the sale and distribution of electricity in Illinois and, as such, is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over UE and the subject matter of this proceeding;
- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) UE's proposed issuance of \$185,000,000 aggregate principal amount of Notes, the proceeds of which are to be applied to refunding, redeeming, and/or refinancing outstanding evidences of indebtedness, as described herein, is not subject to the provisions of Section 6-102(b), and should be approved in accordance with Section 6-102(d);
- (5) the funds to be obtained from the issuance of the Notes are reasonably required for the purposes described herein;
- (6) in accordance with Section 6-101 of the Act, UE should, before issuance of the Notes described herein, cause the following identification number to be placed on the face of such securities: Ill. C.C. No. 6247;
- (7) UE should comply with the reporting requirements of 83 Ill. Adm. Code 240;
- (8) UE should pay a fee in the amount of \$470.40 in accordance with Section 6-108 of the Act; and
- (9) UE's request for proprietary treatment of certain information on page 4 of its Informational Statement pertaining to the use of the proceeds from the

sale of the Notes should be granted, with proprietary treatment approved through September 22, 2004.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the proposed issuance by Union Electric Company d/b/a AmerenUE of \$185,000,000 aggregate principal amount of Senior Notes in one series, the proceeds of which shall be applied to refunding, redeeming, and/or refinancing outstanding evidences of indebtedness, as described herein, is not subject to the provisions of Section 6-102(b) of the Act, and is hereby approved in accordance with Section 6-102(d) of the Act.

IT IS FURTHER ORDERED that Union Electric Company d/b/a AmerenUE shall comply with Findings (6) through (8) of this Order.

IT IS FURTHER ORDERED that Union Electric Company's request for proprietary treatment of certain information on page 4 of its Informational Statement pertaining to the use of the proceeds from the sale of the Notes is granted, with proprietary treatment approved through September 22, 2004.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 1st day of October, 2002.

(SIGNED) KEVIN K. WRIGHT

Chairman